Exhibit 5

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After The Fall: The Outlook for the Consumer Internet Industry

"What was it this time, old economy or new economy?"

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Key Points

- The B2C sector is entering a more mature phase of development, one in which hyper-growth is transitioning to long-term growth. This transition, combined with a difficult market and a massive increase in competition, is leading to a shakeout and consolidation.
- The leading B2C stocks have essentially remained in a (wide) trading range for the last year. We would not be surprised to see most of the stocks remain in the range for at least the next twelve months, as the companies gradually grow into their valuations (most of which are still high, but far more reasonable than they were a few months ago).
- Sector volatility remains extreme. Timing of entry is critical, however: stocks can no longer be bought "any time, at any price." We expect the leading stocks to remain volatile through the summer, then move toward old highs in the fall.
- The long-term outlook for the leaders remains very positive: we expect growth of traffic, advertising, commerce, wireless, interactive TV, and international to fuel annual earnings growth of 30%-100% at the leading companies for the next several years. We estimate that this will create $2 trillion in global B2C market capitalization in 2005, up from approx. $500 bil today.
- We continue to believe that the most sensible internet investment strategy for the majority of investors is indirect: own the stocks of established companies positioned to benefit from the internet. We recommend that more aggressive investors allocate a small percentage of total capital to a basket of the leading internet stocks.
- Consumer internet is a brutally competitive, winner-take-most business. Of 300 public B2C companies, only 5 are profitable (1.7%). We expect that in three years maybe 15-20 will be profitable (and we believe that many of the success stories have yet to go public). Of an $2.9 billion in 2000E industry operating profit, more than 80% will come from 3 companies.
- In building a long-term portfolio, we would continue to look for companies with 1) near-term earnings, 2) cash, 3) a defensible value proposition, 4) market leadership, 5) strong international, 6) strong management, and 7) the ability to benefit from the growth of wireless, broadband, and/or interactive TV.
- Our core B2C holdings include AOL, YHOO, AMZN, EBAY, DCLK, PCLN, HOMS, and CMGI, as well as INKT and INSP.

Merrill Lynch is acting as a financial advisor to America Online Inc., in connection with its acquisition of Time Warner Inc., announced on January 10, 2000. America Online has agreed to pay a fee to Merrill Lynch for its financial advisory services.

In This Book...

- We argue that the internet stock phenomenon is *both* a bubble *and* a leading indicator of a profound transfer of value in the global economy. The internet is causing both strong growth and a shift in value in the economy; the leading companies are more valuable than they might appear.
- We suggest that after five years of development, the B2C sector is entering a more mature phase of growth – a shakeout and consolidation phase that will likely temper the performance of the stocks as the companies gradually grow into their valuations. We still believe the leading companies will make good long-term investments.
- We analyze the B2C value proposition, which stems from "what people do online" and is organized around the "three Cs" – content, communications, and commerce. We explain why the "portals" have the best online content models and the largest audiences.
- We review our basic internet investment philosophy and approach to valuation and volatility. This involves paying up for the quality stocks, holding a basket of leaders, and trying to pick good entry points.
- We estimate the size of the B2C opportunity for revenue, operating profit, and market capitalization. We estimate that total B2C revenue worldwide will grow from approximately $45 billion in 1999 to approximately $600 billion in 2005, a CAGR of almost 50%. The U.S. share of this market, in our estimation, will grow at a slower rate of 40%, from $33 billion in 1999 to nearly $300 billion in 2005.
- We discuss the advantages, limitations, and assumptions underlying two valuation methodologies we believe are useful in the sector: PEG Ratio and DCF. As the industry matures, we believe PEG Ratio valuations will become more useful.
- We explore several key issues of immediate concern to B2C investors: the effectiveness of internet advertising, the growth of wireless and interactive TV, privacy, free access, taxation, and international. We think internet advertising works and will continue to grow, that wireless and interactive TV devices will help fuel the growth of content and commerce, that privacy is an issue and should be monitored, and that international is increasingly important.
- We provide detailed analyses of our list of "core holdings," companies that we regard as those most suitable for long-term investments, as well as for other companies in our B2C coverage universe.

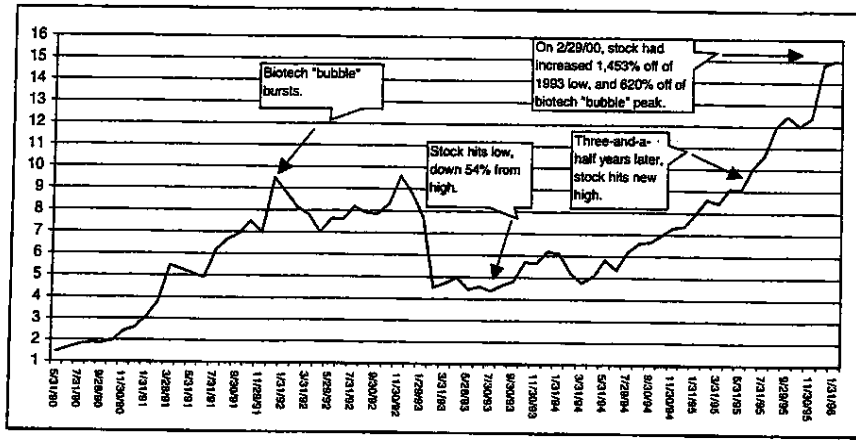
would avoid companies that are losing market share and need additional funding to achieve profitability; the internet tide is not rising fast enough to lift all boats anymore.

- Thus far in 2000, being selective hasn't helped much: the entire sector has been hammered. On balance, however, we believe that stocks with the above characteristics will go down less and recover faster than the rest of the sector. Moreover, as ballistic returns become a thing of the past, we expect investors to be less generous in funding companies with dubious business propositions.
- Timing of entry is critical: the stocks can no longer be bought "any time, at any price." We believe that the sector will continue to be sentiment-driven and extraordinarily volatile. Near-term, we would keep in mind that the summer is usually a difficult seasonal period for B2C: traffic growth slows, and advertising and commerce revenue are at their weakest for the year. With the ongoing shakeout, we expect that this year's seasonal weakness might be exacerbated. We expect the sector to remain volatile and consolidate through the summer, and then trend higher in the fall.
- Judging from the performance of the biotech sector in the early 1990s, as well as other market manias, the shakeout ("bubble-bursting") phase of an emerging industry is usually a rough time for the stocks – even the best ones. We therefore think there is a risk that some of the leading stocks remain in their trading ranges for a year or more. Given the volatility in the sector, however, this still leaves plenty of upside from current levels. We also believe that there is significant long-term upside for the leading stocks.
- Valuations are still high on an absolute basis (i.e., these are still high-multiple stocks), but when using a PEG Ratio analysis on upside-case estimates, the valuations are actually in line with other technology leaders. YHOO, for example is trading at a 2.8X PEG on 2001E "Upside Case" EPS of $0.87 and a projected 50% three-year growth rate. This is the highest PEG among the internet leaders and is well below that of another technology leader, Oracle (3.9X).
- As is illustrated on p. 17, the PEG Ratios of other B2C leaders are equally reasonable (on a relative basis): DCLK (1.1X), PCLN (0.9X), EBAY (2.0X), INSP (1.7X), and INKT (4.0X).
- Our core holdings include: AOL ($48; D-1-1-9), YHOO ($112; D-1-1-9), AMZN ($46; D-1-1-9), EBAY ($139; D-1-1-9), PCLN ($40; D-2-1-9), HOMS ($20; D-1-1-9), DCLK ($41; D-1-1-9), CMGI ($43; D-2-1-9). We believe that infrastructure companies INKT ($100; D-2-1-9) and INSP ($45; D-1-1-9) are also good ways to play the long-term B2C trend. Importantly, we believe that all these companies will be profitable in 2001 and beyond.

The Internet Phenomenon

- In our opinion, the internet stock phenomenon represents both a bubble *and* a profound shift in value in the global economy. As we have often said, we believe many internet companies will likely fail (we estimate that 75% will disappear within 3-5 years), and many internet stocks are still overvalued. We believe a few, however, are likely significantly undervalued.
- We believe there are two key differences between the internet mania and other stock-market manias, differences that bode well for the long-term performance of the leading internet stocks: 1) we believe there is a major value-transfer from (simplistically) the "old" economy to the "new" economy (the existence of internet-enabled companies makes some internet-disabled companies worth less), and 2) the internet leaders have generated more revenue and earnings more quickly and with less capital than most (any?) emerging industries to date.

AMGN Price Performance, 1990-1996



Source: Merrill Lynch Internet Research.

It is not clear whether the internet "bubble" really has burst – or whether this is just another in a long line of brutal internet sector pullbacks – but in 2000, there has been nowhere to hide. The strongest internet stocks are down 40%-60% from their highs, the weakest 80%-95%. The volatility is nothing new – Yahoo! has dropped 30% from its high at least eight times since going public, 40% three times, and 50% twice – but this spring's pullback has been the worst in the sector's history. We continue to believe that the B2C sector is in a shakeout and consolidation phase, and unlike prior periods of weakness, we do not expect the entire sector to recover when the overall technology market turns positive again. We also continue to believe that there are significant differences between the internet mania and the biotech mania – differences that should make the outlook for the leading internet stocks better than it was for the biotech leaders.

The best internet companies are not tulip bulbs – there are, and always have been, good fundamental reasons to own the stocks. We believe the internet stock phenomenon represents *both* a bubble *and* a major shift in value in the global economy. We think at least 30% of currently public internet companies will go bankrupt or be acquired at $1-$2 per share, and we think that 75% or more will disappear. We also, however, think that some of the leading internet companies will be among the most valuable companies in the world within 3-5 years. The key points of difference between the internet mania and other manias, in our opinion are 1) a significant value transfer from companies that aren't harnessing the power of the internet to companies that are, and 2) continued strong growth of revenue and earnings at the leading companies. Amazon is taking market share from some physical world retailers; as a result, we would argue that its very existence makes the stocks of some internet-disabled retailers worth less. AOL, Yahoo!, and eBay are taking eyeball time from television and print; as a result they threaten the value of weaker TV and newspaper franchises. The value transfer does not mean that internet stocks will trade at higher-than-average multiples forever – on the contrary, as the industry matures, we expect multiples to gradually compress until they fall more in line with historical norms. We continue to believe, however, that the magnitude of the long-term opportunity for some of the leading stocks is such that there is plenty of upside above current levels.

Right now, the B2C stocks are in a sort of limbo – caught between momentum and growth – and this is leading to gradual multiple compression. Like those of any other product or service, the prices of internet stocks are subject to the law of supply and demand. Three years ago, the leading B2C companies were posting such strong sequential unit revenue growth (well ahead of expectations, quarter after quarter) – and there were so few of them – that strong demand by aggressive, momentum-oriented investors drove the multiples to extraordinary levels. As sequential and year-over-year growth has slowed, however – and the number of stocks has increased a hundred-fold – the stocks have become less attractive for

weakest companies have commanded multi-hundred million dollar valuations. As capital flows slow, however, this situation is likely to change. Even at valuations down 80%-95% from their highs, and at revenue multiples that range from 0.5X to 5X, many weak internet stocks are still not "cheap." For verification of this, just glance at the old economy. The equity of The North Face (TNFI), a troubled manufacturer and distributor of high-end outdoor equipment that generated nearly $250mm in revenue and $100mm in losses in 1999 (dream numbers for many dot-coms), recently sold for $25mm – or 1/10th of revenue. The downside from 1X revenue to 1/10thX revenue is 90%.

With the capital markets tightening, cash is not just king – it's oxygen. It is easy to grow revenues when there is no limit on the amount you can spend to do it. Thanks to the capital inflows into the internet sector over the last few years, few companies have had to worry about how much they were spending. If the capital flow shuts down, however – which it will, quickly, if returns on most internet investments continue to be as poor as they have been over the last few months – cash burn becomes a critical investment criterion.

A Few Leading Stocks

We have identified approximately 10-15 Internet companies as "core holdings" – stocks that we expect to outperform the sector over the long term. These companies have the following characteristics:

1. Impressive earnings power (profitable, or clearly getting there).
2. Strong cash position (not dependent on capital markets to achieve profitability)
3. Defensible value proposition (compelling business model with barriers to entry)
4. Market leadership (No. 1 or No. 2 and gaining share; not "me, too")
5. Strong international operations (international is growing faster than US).
6. Strong management (hard to evaluate scientifically, but enormously important)
7. Positioned to benefit from growth of wireless, broadband, and/or interactive TV (future drivers)

Importantly, we expect all of these companies to generate cash earnings in 2001 and beyond. The stocks still have high multiples on an absolute basis (25X-100X 2002E EPS, using our aggressive-case EPS estimates). As the chart below shows, however, the PEG ratios (P/E to growth) of these companies are in line with those of other technology leaders. A few years ago, a PEG ratio of 1X was considered fair value for most technology stocks. If the tech sector as a whole were to revert to that mean, some of these stocks would obviously have farther to fall.